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W.E. DAVIS CLK.

SUBORDINATION, NON-DISTURBANCE AND ATTORNMENT AGREEMENT

THIS SUBORDINATION, NON-DISTURBANCE AND ATTORNMENT AGREEMENT (the "Agreement") is made as of the 21st day of December, 1999, by and between SOUTHTRUST BANK, NATIONAL ASSOCIATION, a national banking association, hereinafter referred to as "Lender," and HANCOCK FABRICS, INC., a Delaware corporation, hereinafter referred to as "Tenant."

P R E L I M I N A R Y :

A. Lender is the beneficiary under that certain Deed of Trust and Security Agreement dated March 24, 1998, and recorded March 31, 1998, in Book 984, at Page 323, of the Official Records of the County of De Soto, State of Mississippi (the "Records"), as amended by that certain First Amendment to Deed of Trust and Security Agreement dated December 16, 1998, and recorded in Book 1065, at Page 269, of the Records, and as amended and restated by that certain Amended and Restated Deed of Trust and Security Agreement dated December 29, 1999, and recorded 12/29/99 at 4:32 P.M., in Book 1176, at Page 767, of the Records. Lender is assignee under that certain Assignment of Rents and Leases dated December 29, 1999, and recorded 12/29/99 at 4:35 P.M., in Book 84, at Page 4, of the Records. The above referenced documents, and any amendments, renewals, extensions, consolidations and restatements thereof are hereinafter referred to collectively as the "Security Documents." The Security Documents relate to certain real property and the improvements located thereon situate in the City of Southaven, County of De Soto, State of Mississippi, more particularly described in Exhibit A, attached hereto and incorporated by reference herein, and hereinafter referred to as the "Subject Property."

B. Tenant is the tenant under a lease dated November 3, 1999 (hereinafter referred to as the "Lease"), wherein Goodman Road/I-55 Development Company, LLC, an Arkansas limited liability company (hereinafter referred to as "Landlord"), is landlord, which Lease demises to Tenant a portion of the Subject Property. A recording indenture of the Lease was recorded in the Records on December 1, 1999, in Book 83, at Page 373.

C. Tenant and Lender desire to enter into this Agreement to establish certain rights, safeguards and obligations with respect to their interests and to further provide for various contingencies as hereinafter set forth.

NOW, THEREFORE, in consideration of the foregoing and of the mutual agreement of the parties hereto to the terms and conditions hereinafter contained, the parties hereto agree as follows:

1. The Lease is hereby made, and shall at all times be subject and subordinate in all respects to the Security Documents.

2. So long as Tenant is not in default in the performance of the terms and provisions of the Lease after receipt of notice and opportunity to cure as provided in the Lease:

(a) Tenant shall not be named or joined in any foreclosure or other proceeding to enforce the Security Documents

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unless such naming or joinder is required in order to perfect such foreclosure or other proceeding; provided, however, in no event shall the Lease be terminated or modified as a result of a judgment rendered in such foreclosure or other proceeding;

(b) The enforcement of the Security Documents shall not terminate the Lease or disturb Tenant's rights thereunder;

(c) The leasehold estate granted by the Lease shall not be affected in any manner by any proceeding instituted or action taken under or in connection with the Security Documents; and

(d) Upon the acquisition by Lender or any other party through foreclosure, deed in lieu of foreclosure or otherwise pursuant to the Security Instruments of the Subject Property, the Lease shall become a direct lease between the acquiring party (a "Purchaser") and Tenant with all the obligations of the landlord under the Lease being assumed and performed by the Purchaser; provided, however, Lender and any other Purchaser shall not:

(i) Be liable for any damages or other relief attributable to any default of any prior landlord under the Lease (including Landlord) unless Lender shall have been given notice of such default and thereafter Lender shall have failed to cure such default as provided in Section 3 hereof;

(ii) Be bound by any prepayment by Tenant of more than one (1) month's installment of rent or other payments under the Lease;

(iii) Be liable for any security deposit not actually delivered to Purchaser;

(iv) Be bound by any modification or amendment of or to the Lease, or any waiver of any terms of the Lease, unless such modification, amendment or waiver shall have been made with the approval of Lender, which approval shall not be unreasonably withheld or delayed; and

(v) Be bound by any consensual or negotiated surrender, cancellation or termination of the Lease, in whole or in part, agreed upon between Landlord and Tenant made without Lender's prior written consent, which consent shall not be unreasonably withheld or delayed.

3. Tenant shall send, concurrently with its sending to Landlord, Lender a copy of any notice of default sent to Landlord under the Lease, and Lender shall have the same and concurrent period of time as Landlord under the Lease, plus fifteen (15) days, to cure such default but without the obligation so to do. Such copy and any other notice Lender and Tenant desire to give hereunder shall be in writing and shall be mailed by United States mail, registered or certified, return receipt requested, postage prepaid, or sent by recognized national overnight courier service (such as Federal Express or Airborne) which keeps written records of the receipt by the addressee, addressed to Lender, attention: Commercial Real Estate, at 1100 SouthTrust Tower, 420 North 20th Street, Birmingham, Alabama 35203, and to Tenant, attention: Real Estate Manager, at P.O. Box 2400, Tupelo, Mississippi 38803-2400 (courier address: 3406 West Main Street, Tupelo, Mississippi 38801), or to such other single address as the respective parties may designate. Notices shall be deemed

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Southaven, MS

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complete upon receipt thereof, or upon attempted delivery, if delivery is refused.

4. Provided the agreements contained in Section 2 hereof are performed, and so long as a Purchaser shall give written notice to Tenant as provided herein of the occurrence of the acquisition of the Subject Property and Purchaser's assumption of the obligations of the landlord under the Lease, Tenant agrees to attorn to Purchaser as landlord under the Lease.

5. Upon Lender's written request and without regard to contrary instructions of Landlord so long as the provisions of Section 4.7 of the Assignment of Rents and Leases referenced in Paragraph A above are in full force and effect, Tenant agrees it will make the payments to be made by Tenant under the Lease directly to Lender. Lender shall defend, indemnify and hold harmless Tenant against and from any cost, loss or claim resulting from Tenant's payment under the provisions of this Section 5.

6. This Agreement constitutes the entire agreement between Lender and Tenant regarding the subject matter hereof.

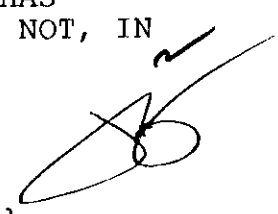
7. The interpretation, validity and enforcement of this Agreement shall be governed by and construed under the internal laws of the State of Mississippi.

8. This Agreement may be amended, discharged or terminated only by a written instrument executed by both parties.

9. No provision contained herein shall be deemed an amendment or modification of any provision contained in the Lease, including, without limiting the generality of the foregoing, any rights thereunder given to Tenant to terminate the Lease.

10. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their successors, transferees and assigns, including any Purchaser.

11. THE PARTIES HERETO WAIVE ANY RIGHT TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION (INCLUDING, BUT NOT LIMITED TO, ANY CLAIMS, CROSS-CLAIMS OR THIRD PARTY CLAIMS) ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS AGREEMENT. TENANT CERTIFIES THAT NO REPRESENTATIVE OR AGENT OF LENDER OR LENDER'S COUNSEL HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT LENDER WOULD NOT, IN



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THE EVENT OF SUCH LITIGATION, SEEK TO ENFORCE THE PROVISIONS OF THIS SECTION 11.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first hereinabove set forth.

SOUTHTRUST BANK, NATIONAL  
ASSOCIATION,  
a national banking association

By [Signature]  
Signature

Robert H. Johnston  
Print Name

By [Signature]  
Signature

James C. Eberse  
Print Name

"Lender"

HANCOCK FABRICS, INC.,  
a Delaware corporation

By [Signature]  
Signature

JACK W. BRIDG

Stamp Name and Title

By [Signature]  
Signature

WILLIAM D. SMOTHERS, SENIOR VICE PRESIDENT

Stamp Name and Title

"Tenant"

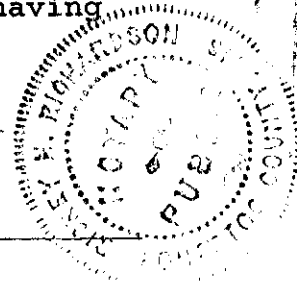
(To Be Notarially Acknowledged)

STATE OF MISSISSIPPI

COUNTY OF LEE

Personally appeared before me, the undersigned authority in and for the said county and state, on this 21<sup>st</sup> day of December, 1999, within my jurisdiction, the within named Jack W. Busby, Jr. and William D. Smothers, who acknowledged that they are Chief Operational Officer and Senior Vice President of Hancock Fabrics, Inc., a Delaware corporation, and that for and on behalf of the said corporation, and as its act and deed they executed the above and foregoing instrument, after first having been duly authorized by said corporation so to do.

  
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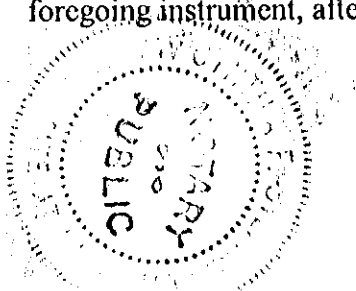


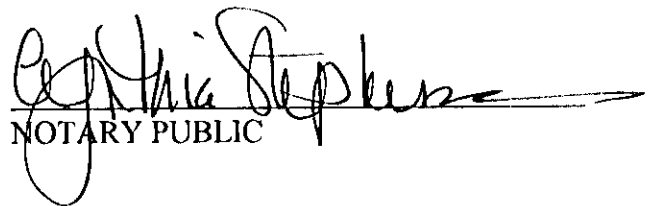
My Commission Expires:  
MY COMMISSION EXPIRES APRIL 14, 2000

STATE OF ALABAMA )

COUNTY OF JEFFERSON )

Personally appeared before me, the undersigned authority in and for the said county and state, on this 21<sup>st</sup> day of December, 1999, within my jurisdiction, the within named Ronald H. Johnston and James E. Ebersole, who acknowledged that they are Group Vice President and Vice President of SouthTrust Bank, National Association, a national banking association, and that for and on behalf of the said association, and as its act and deed they executed the above and foregoing instrument, after first having been duly authorized by said association so to do.



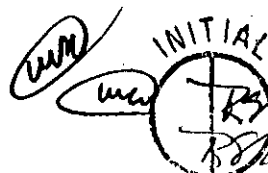
  
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My commission expires:

11-4-00

34.2325 acre partition of the remaining Goodman Road Associates, LTD property as recorded at Deed Book 199 Page 93 - Parcel 1 and Deed Book 199 Page 97, said property being in the Northeast Quarter of Section 36, Township 1 South, Range 8 West, in the City of Southaven in DeSoto County, Mississippi.

Commencing at the accepted Northeast corner of Section 36, Township 1 South, Range 8 West, in DeSoto County, Mississippi; being the intersection of the centerline of Goodman Road (Mississippi 302) with the centerline of Airways Boulevard; thence in a Southwestwardly direction, along the centerline of Airways Boulevard (106 foot total Right Of Way as per Plat Book 55 Page 45) and the East line of Section 36, South 00 degrees 03 minutes 32 seconds West, a distance of 341.13 feet to a set  $\frac{1}{2}$  inch rebar, being the Northernmost Northeast corner of the remaining Goodman Road Associates, LTD property as recorded at Deed Book 199 Page 93 - Parcel 1 and Deed Book 199 Page 97, which this 34.2325 acre partition is a part, and the "TRUE POINT OF BEGINNING" of said partition, also being the Easternmost Northeast corner of said partition; thence in a Southwestwardly direction, continuing along the proposed centerline of Airways Boulevard (under construction and as evidenced by Plat Book 57 Page 40) and the East line of the remaining Goodman Road Associates, LTD property and said partition, South 00 degrees 03 minutes 32 seconds West, a distance of 1097.14 feet to a set  $\frac{1}{2}$  inch rebar, being the Southeast corner of said partition; thence in a Southwestwardly direction, along the South line of this partition, South 89 degrees 53 minutes 21 seconds West, a distance of 1423.54 feet to a set  $\frac{1}{2}$  inch rebar, being the Southwest corner of said partition; thence in a Northwestwardly direction, along a West line of this partition, North 00 degrees 06 minutes 39 seconds West, a distance of 98.50 feet to a found  $\frac{1}{2}$  inch rebar, being an exterior corner of said partition, and the Southeast corner of Lot 4 of South Lake Commercial Subdivision as recorded at Plat Book 55 Page 44, and the Southwest corner of the Right Of Way for South Crest Parkway as recorded at Plat Book 55 Page 44; thence in a Northeastwardly direction, along a North line of the remaining Goodman Road Associates, LTD property and this partition, also being the South Right Of Way line of South Crest Parkway, North 89 degrees 53 minutes 21 seconds East, a called and measured distance of 90.00 feet (as per Plat Book 55 Page 44) to a set  $\frac{1}{2}$  inch rebar, being an interior corner of the remaining Goodman Road Associates, LTD property and this partition, also being the Southeast corner of the Right Of Way for South Crest Parkway; thence in a Northwestwardly direction, along the East Right Of Way line of South Crest Parkway and the West line of the remaining Goodman Road Associates, LTD property and this partition, North 00 degrees 06 minutes 39 seconds West, a distance of 937.96 feet to a set  $\frac{1}{2}$  inch rebar, being the Westernmost Northwest corner of said partition; thence in a Southeastwardly direction, along a North line of this partition, along a curve to the left having a radius of 25.00 feet, a delta angle of 90 degrees 00 minutes 00 seconds, an arc length 39.27 feet, a tangent

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length of 25.00 feet, a chord bearing of South 45 degrees 06 minutes 39 seconds East, and a chord length of 35.36 feet to a set  $\frac{1}{2}$  inch rebar, being a point of tangency in said North line; thence in a Northeastwardly direction, continuing along a North line of this partition, the following two (2) courses, North 89 degrees 53 minutes 21 seconds East, a distance of 32.41 feet to a set  $\frac{1}{2}$  inch rebar, being an angle point; thence North 81 degrees 38 minutes 16 seconds East, a distance of 521.76 feet to a set  $\frac{1}{2}$  inch rebar, being a point of curvature; thence continuing in a Northeastwardly direction, along a West line of this partition, along a curve to the left having a radius of 25.00 feet, a delta angle of 75 degrees 24 minutes 54 seconds, an arc length of 32.91 feet, a tangent length of 19.33 feet, a chord bearing of North 43 degrees 55 minutes 49 seconds East, and a chord length of 30.58 feet to a set  $\frac{1}{2}$  inch rebar, being a point of tangency in said West line; thence continuing in a Northwardly direction, along a West line of this partition, the following two (2) courses, North 06 degrees 13 minutes 22 seconds East, a distance of 160.63 feet to a set  $\frac{1}{2}$  inch rebar, being an angle point; thence North 00 degrees 08 minutes 18 seconds West, a distance of 79.85 feet to a set  $\frac{1}{2}$  inch rebar, being a point of curvature in said West line; thence in a Northwestwardly direction, along a South line of this partition, along a curve to the left having a radius of 25.00 feet, a delta angle of 91 degrees 04 minutes 07 seconds, an arc length of 39.74 feet, a tangent length of 25.47 feet, a chord bearing of North 45 degrees 40 minutes 22 seconds West, and a chord length of 35.68 feet to a set  $\frac{1}{2}$  inch rebar in the South Right Of Way line of Goodman Road (Mississippi 302), and the North line of the remaining Goodman Road Associates, LTD property, being the Northernmost Northwest corner of said partition; thence in a Northeastwardly direction, along the South Right Of Way line of Goodman Road and the North line of the remaining Goodman Road Associates, LTD property and this partition, the following two (2) courses, North 88 degrees 47 minutes 35 seconds East, a distance of 25.61 feet to a found concrete Right Of Way monument, being an angle point; thence North 89 degrees 19 minutes 10 seconds East, a distance of 82.38 feet to a set  $\frac{1}{2}$  inch rebar, being the Northernmost Northeast corner of said partition; thence in a Southwestwardly direction, along an East line of this partition, along a curve to the left having a radius of 25.00 feet, a delta angle of 89 degrees 27 minutes 28 seconds, an arc length of 39.03 feet, a tangent length of 24.76 feet, a chord bearing of South 44 degrees 35 minutes 26 seconds West, and a chord length of 35.19 feet to a set  $\frac{1}{2}$  inch rebar, being a point of tangency in an East line of said partition; thence in a Southeastwardly direction, along an East line of this partition, South 00 degrees 08 minutes 18 seconds East, a distance of 248.73 feet to a set  $\frac{1}{2}$  inch rebar, being an interior corner of said partition; thence in a Northeastwardly direction, along a North line of this partition, North 81 degrees 38 minutes 16 seconds East, a distance of 330.96 feet to a set  $\frac{1}{2}$  inch rebar, being an interior corner of said partition; thence in a Northwestwardly direction, along a West line of this partition, North 00 degrees 39 minutes 47 seconds West, a distance of 20.08 feet to a found  $\frac{1}{4}$  inch conduit, being an interior corner of the remaining Goodman Road Associates, LTD property and an exterior corner of said partition, also being the Southwest corner of Lot 6 of The First Addition to South Lake Commercial

## EXHIBIT A

Page 2 of 4 Pages.



Subdivision as recorded at Plat Book 55 Page 45; thence in a Northeastwardly direction, along a North line of the remaining Goodman Road Associates, LTD property and this partition, also being a South line of Lot 6, North 89 degrees 31 minutes 00 seconds East, a called distance of 286.55 feet (as per Plat Book 55 Page 45), but a measured distance of 286.61 feet to a sound ¾ inch conduit in the West Right Of Way line of Airways Boulevard (106 foot total Right Of Way as per Plat Book 55 Page 45), being an exterior corner of the remaining Goodman Road Associates, LTD property and said partition; thence in a Southwestwardly direction, along the West Right Of Way line of Airways Boulevard and an East line of the Goodman Road Associates, LTD property and this partition, South 00 degrees 03 minutes 32 seconds West, a called and measured distance of 72.67 feet (as per Plat Book 55 Page 45) to a set ½ inch rebar, being an interior corner of the remaining Goodman Road Associates, LTD property and said partition, and the Southwest corner of the Right Of Way for Airways Boulevard; thence in a Northeastwardly direction, along a North line of the remaining Goodman Road Associates, LTD property and this partition, and a South Right Of Way line of Airways Boulevard, North 89 degrees 54 minutes 32 seconds East, a called distance of 53.00 feet (as per Plat Book 55 Page 45), but a measured distance of 52.48 feet to the "TRUE POINT OF BEGINNING" and containing 34.2325 acres, more or less

#### LESS AND EXCEPT:

Lot 13, South Lake Commercial Subdivision, Third Addition, in the Northeast Quarter of Section 36, Township 1 South, Range 8 West, City of Southaven, DeSoto County, Mississippi, as shown by plat appearing of record in Plat Book 66, Page 8, in the office of the Chancery Clerk of DeSoto County, Mississippi and being more particularly described as follows, to-wit:

Commencing at the northeast corner of said Northeast Quarter; thence West 341.69 feet; thence South 69.54 feet to the South right of way line of Goodman Road (Mississippi Highway No. 302); thence South 89°19'03" West along said South right of way line 79.89 feet; thence North 88°25'04" West along said South right of way line 195.80 feet; thence South 89°19'10" West along said South right of way line 107.55 feet; thence South 88°47'35" West along said South right of way line 174.44 feet; thence South 81°38'55" West, along said south right of way line 125.29 feet; thence South 84°55'28" West along said south right of way line 267.46 feet; thence along said South right of way line along a curve to the left having a radius of 35.00 feet an arc length of 51.95 feet, and a chord bearing and distance of South 42°24'25" West 47.31 feet to the East right of way line of Southcrest Parkway; thence South 00°06'39" East along East right of way line 130.00 feet; thence South 08°58'46" West along said East right of way line 101.27 feet; thence south 00°06'39" East along said East right of way line 524.99 feet for the Point of Beginning; thence North 89°53'21" East 215.00 feet; thence South 00°06'39" East 216.88 feet; thence South 59°53'21" West 136.24 feet; thence South 89°53'21" West 97.01 feet to the East right of way line of Southcrest

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Parkway; thence North 00°06'39" West along said East right of way line 285.00 feet to the Point of Beginning. Containing 1.31 acres (57,256 Square Feet) more or less.

TOGETHER WITH that certain Slope Easement granted pursuant to that certain Slope Easement Agreement dated March 24, 1998, and recorded March 31, 1998, in Book 331, Page 4, of the Official Records of DeSoto County, Mississippi (the "Records").

AND TOGETHER WITH those certain easements granted pursuant to that certain Drainage and Slope Easement Agreement dated December 12, 1996, and recorded December 18, 1996, in Book 310, Page 272, of the Records.

AND TOGETHER WITH those certain easements granted pursuant to that certain Drainage and Detention Pond Easement Agreement dated March 24, 1998, and recorded March 31, 1998, in Book 331, Page 13, of the Records.

AND SUBJECT TO AND TOGETHER WITH the easements, restrictions, covenants and conditions granted and set forth in that certain Declaration of Restrictions and Grant of Easements dated June 25, 1998, and recorded June 29, 1998, in Book 335, Page 520, of the Records.

AND SUBJECT TO AND TOGETHER WITH the easements, restrictions, covenants and conditions granted and set forth in that certain Declaration of Restrictions and Grant of Easements dated March 31, 1999, and recorded April 5, 1999, in Book 350, at Page 147, of the Records.

